

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Sanitary Landfill	County Wexford
Fiscal Year End December 31, 2007	Opinion Date June 10, 2008	Date Audit Report Submitted to State June 30, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue			City Kincheloe	State MI
			Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

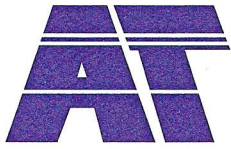
**County of Wexford, Michigan  
Department of Public Works,  
Sanitary Landfill  
(an enterprise fund of the County of Wexford, Michigan)**

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**Financial Report  
December 31, 2007**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Public Works  
Wexford County  
Cadillac, Michigan

We have audited the accompanying financial statements of the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan), as of and for the year ended December 31, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the County of Wexford, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan) and do not purport to, and do not, present fairly the financial position of the County of Wexford, Michigan as of December 31, 2007, and the changes in financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan), as of December 31, 2007, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Public Works  
Wexford County

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2008 on our consideration of the Sanitary Landfill, enterprise fund of the County of Wexford, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co., PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 10, 2008

## **Financial Statements**

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**County of Wexford, Michigan**  
**Sanitary Landfill**

**Statement of Net Assets**  
**December 31, 2007**

**Assets**

Current assets:

Cash and equivalents	\$ 515,246
Prepaid expenses	5,609
Accounts receivable	<u>177,522</u>

Total current assets	<u>698,377</u>
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Noncurrent assets:

Restricted assets:

Cash and equivalents	366,896
Investments	3,104,321
Capital assets not Depreciated	149,706
Capital assets net of Depreciation	<u>3,308,873</u>

Total noncurrent assets	<u>6,929,796</u>
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Total Assets	<u><u>\$ 7,628,173</u></u>
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**Liabilities**

Current liabilities:

Accounts payable	\$ 186,373
Accrued payroll and other liabilities	5,059
Current portion of capital leases	<u>240,316</u>

Total current liabilities	<u>431,748</u>
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Noncurrent liabilities:

Estimated liability for landfill closure and postclosure costs	<u>9,139,388</u>
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Total noncurrent liabilities	<u>9,139,388</u>
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Total Liabilities	<u>9,571,136</u>
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**Net Assets**

Invested in capital assets - net of related debt	3,218,263
Unrestricted	<u>(5,161,226)</u>

Total Net Assets	<u><u>\$ (1,942,963)</u></u>
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**County of Wexford, Michigan**  
**Sanitary Landfill**

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
Year Ended December 31, 2007**

**Operating Revenues**

Charges for Services	\$ 2,420,292
Fines & Forfeitures	10,740
Other Revenue	5,150
	<hr/>
Total Operating Revenues	2,436,182
	<hr/>

**Operating Expenses**

Salaries and Wages	236,036
Employee Fringe Benefits	113,568
Office Supplies	2,208
Operating Supplies	77,479
Fees & Permits	95,586
Legal and Professional Fees	425,896
Administrative	287,121
Leachate Treatment	394,576
Laboratory Services	339,461
Consulting Services	114,655
Insurance	42,460
Utilities	19,643
Repairs and Maintenance	65,359
Waste Relocation	232,102
Remedial Action Plan	354,286
Landfill Closure and Post closure costs	338,801
Work Program Services	61,206
Recycling	6,169
Miscellaneous Expense	2,287
Small Tools and Equipment	3,985
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Total Operating Expenses	3,212,884
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Operating Loss Before Depreciation Expense	(776,702)
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Depreciation Expense	921,300
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Operating Income (Loss)	(1,698,002)
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**Nonoperating Revenues (Expense)**

Interest Earnings	160,062
Interest Expense - Capital Leases	(11,820)
Unrealized Gain (Loss) on Investments	(6,934)
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Total Nonoperating Revenues (Expense)	141,308
	<hr/>

Transfers In	750,000
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Changes in Net Assets	(806,694)
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Net Assets - Beginning	3,791,248
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Prior Period Adjustment	(4,927,517)
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Net Assets - January 1, 2007 - Restated	(1,136,269)
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Net Assets - Ending	\$ (1,942,963)
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**County of Wexford, Michigan**  
**Sanitary Landfill**

**Statement of Cash Flows**  
**Year Ended December 31, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 2,427,452
Payments to suppliers	(2,675,289)
Payments to employees	(350,242)
	<u>(598,079)</u>
Net cash provided (used) by operating activities	<u>(598,079)</u>

**CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:**

Transfers In	<u>750,000</u>
Net cash provided (used) by non capital and related financing activities	<u>750,000</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchase of capital assets	(98,903)
Interest payments on capital leases	(11,820)
Principal payments on capital leases	(111,517)
	<u>(222,240)</u>
Net cash provided (used) by capital and related financing activities	<u>(222,240)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest earnings	160,062
Net change in investments	(95,893)
	<u>64,169</u>
Net cash provided (used) by investing activities	<u>64,169</u>

Net Increase (Decrease) in Cash (6,150)

Balances - Beginning of the Year 888,292

Balances - End of the Year \$ 882,142

**Reconciliation of Operating Income (Loss) to**

**Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (1,698,002)
Adjustments to reconcile operating income to net cash from operating activities:	
Noncash expense:	
Depreciation expense	921,300
Estimated liability for landfill closure and post closure costs	338,801
Changes in assets and liabilities:	
Accounts receivable	(8,730)
Prepaid Expense	(5,609)
Accounts payable	(145,201)
Accrued and other liabilities	(638)
	<u>(598,079)</u>
Net cash provided (used) by operating activities	<u>\$ (598,079)</u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Wexford, Michigan (the County) established the Sanitary Landfill (the Landfill) to provide waste collection within the County under the administration of the County of Wexford, Michigan. The Sanitary Landfill Fund (the Fund), an Enterprise Fund, separately accounts for the Sanitary Landfill, as is required by the County of Wexford, Michigan. The following is a summary of the more significant accounting policies followed in the preparation of the Fund's financial statements. These policies conform to accounting principles generally accepted in the United States of America.

**Reporting Entity**

In accordance with the criteria established by the Governmental Accounting Standards Board, the Sanitary Landfill, is considered an enterprise fund of the County of Wexford, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the County to significantly influence operations, the accountability for fiscal matters including the level of County financing and/or moral or legal responsibility for long-term debt. Therefore, the financial statements of the Sanitary Landfill fund of the County of Wexford, Michigan is presented in the financial statements as an enterprise fund, which is an integral part of the financial reporting oversight unit of the County of Wexford, Michigan.

The Fund operates, maintains, and accounts for the County's sanitary landfill.

**Basis of Accounting**

The accrual basis of accounting is used by the Fund. The Fund follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The Fund has elected to follow private sector standards used after November 30, 1989.

**Cash and Equivalents**

For the purpose of the statement of cash flows, the enterprise fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the statement of cash flows includes restricted and unrestricted cash and equivalents.

**Investments**

Investments are recorded at fair value, based on quoted market prices.

**Inventories**

Inventories held by the Fund are not considered material and are not shown in these financial statements.

**Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted as needed.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables**

All trade receivables are shown without an allowance for uncollectible accounts because they are not significant.

**Capital Assets**

Capital assets, which include buildings, site improvements, vehicles, machinery, and equipment, are reported in the financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

All capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. The assets of the Fund consist of equipment items used to operate the Fund. Depreciation on such capital assets is charged as an expense against operations on a straight-line basis except for the landfill cells, which are charged based on capacity used/available at year end.

**Compensated Absences (Vacation and Sick Leave)**

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of the sick pay, depending on department, and all vacation pay is eligible to be paid out when employees separate from service with the County. The sick and vacation pay that is eligible to be paid out when employees separate from service with the County is accrued in the government-wide financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The deposits and investments of the Fund are classified on the balance sheet as follows:

Cash	\$ 515,246
Restricted assets (Note 3)	
Cash	366,896
Investments	<u>3,104,321</u>
Total	<u>\$ 3,986,463</u>

**County of Wexford, Michigan**  
**Sanitary Landfill**

**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The above amounts are classified by the Governmental Accounting Standards Board Statement No. 40 in the following categories:

	<u>Balance Sheet Classification</u>		
	<u>Cash</u>	<u>Restricted Assets</u>	<u>Total</u>
Deposits (checking accounts and certificates of deposit)	\$ 515,246	\$ 366,896	\$ 882,142
Investments	<u>-</u>	<u>3,104,321</u>	<u>3,104,321</u>
Total	<u>\$ 515,246</u>	<u>\$ 3,471,217</u>	<u>\$ 3,986,463</u>

Michigan Compiled Laws, Section 129.91, authorizes local units of government to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Included in the County's investments at the balance sheet date are approximately \$249,453 of obligations of the Federal Home Loan Bank. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
U.S. Treasury	\$ 249,453	\$ 249,453	\$ -	\$ -	\$ -
Municipal Bonds	1,100,000	-	1,100,000	-	-
Money Market	<u>1,754,868</u>	<u>1,754,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,104,321</u>	<u>\$ 2,004,321</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

**Investment and Deposit Risk**

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$3,471,217 investments, all are in the name of the County. Credit quality ratings of public money funds were not available.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, the County's bank balance was exposed to credit risk because it was uninsured and uncollateralized.

**FAIR VALUE OF INVESTMENT ACTIVITY**

Security	Stated Value	Fair Value 12/31/06	Purchase (Sale)	Fair Value 12/31/07
Fed. Homeloan, int. 2%, due 07/21/08	\$ 250,000	\$ 246,015	\$ 3,438	\$ 249,453
Fed. Nat. Mtg., int. 5.5%, due 06/25/30	450,000	66,767	(66,767)	-
Fed. Homeloan, int. 5%, due 04/15/18	1,500,000	368,962	(368,962)	-
Govt. Nat. Mtg., int. 4.5%, due 04/16/27	200,000	86,216	(86,216)	-
Fed. Homeloan, int. 3.375% due 12/28/07	500,000	499,845	(499,845)	-

**NOTE 3 - RESTRICTED ASSETS**

The Fund's restricted assets are comprised of the following:

Cash and investments restricted for lines of credit	\$ 2,000,000
Investments restricted for perpetual care	<u>1,471,217</u>
Total restricted assets	<u>\$ 3,471,217</u>

**NOTE 3 - RESTRICTED ASSETS (Continued)**

The investments restricted for perpetual care consist of funds set aside for closure, monitoring, and maintenance of the landfill and for response activity necessitated by potential contamination discharge from the landfill.

The operator of the landfill is required to designate a custodian of the fund and deposit amounts into the fund based on the volume and the type of material disposed of in the landfill. The custodian is not to disburse any amount of the fund to the operator of the landfill without the approval of the director of the Department of Natural Resources.

Thirty years after the closure of the landfill, 50 percent of any money in the Perpetual Care Fund may be returned to the operator.

To comply with this act, the landfill contracted with the director of the Department of Natural Resources to establish a perpetual care fund with the Bank of New York as the designated custodian. The landfill has begun to make the required deposits into a separate savings account until the contract with the Department of Natural Resources is completed. The perpetual care fund's balance at December 31, 2007 was \$1,471,217.

\$2,000,000 is restricted for lines of credit until funding is secured for the water system required by the remedial action plan.

**NOTE 4 - CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9,139,388 reported as landfill closure and postclosure care liability at December 31, 2007 represents the cumulative amount reported to date based on the use of approximately 79 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure of approximately \$2,371,612 as the remaining estimated capacity is filled. The estimated remaining life of landfill based on current consumption of permitted capacity is 9 years.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County expects that future costs, including inflation and changes in technology or applicable laws and regulations, will be paid in cash and investments maintained in the Sanitary Landfill Enterprise Fund as well as charges to future landfill users.

**County of Wexford, Michigan**  
**Sanitary Landfill**

**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 5 - CAPITAL ASSETS**

The capital assets of the Fund are composed of the following:

	Balance January 1, 2007	Additions	Disposals/ Adjustments	Balance December 31, 2007	Estimated Depreciable Life – Years
<i>Capital assets not being depreciated:</i>					
Land	\$ 149,706	\$ -	\$ -	\$ 149,706	-
Subtotal	149,706	-	-	149,706	
<i>Capital assets being depreciated:</i>					
Landfill cells	7,868,344	31,027	1,911,227	9,810,598	Capacity Used
Building and improvements	456,687	-	-	456,687	7-40
Site improvements	2,029,871	53,026	-	2,082,897	4-40
Vehicles	387,844	-	-	387,844	5-7
Machinery and equipment	1,015,697	14,850	-	1,030,547	5-10
Office furniture and fixtures	60,079	-	-	60,079	5-10
Subtotal	11,818,522	98,903	1,911,227	13,828,652	
<i>Less: accumulated depreciation:</i>					
Landfill cells	(1,197,399)	(690,658)	(6,838,744)	(8,726,801)	
Building and improvements	(51,254)	(11,327)	-	(62,581)	
Site improvements	(228,987)	(56,349)	-	(285,336)	
Vehicles	(387,844)	-	-	(387,844)	
Machinery and equipment	(841,251)	(158,124)	-	(999,375)	
Office furniture and fixtures	(53,000)	(4,842)	-	(57,842)	
Subtotal	(2,759,735)	(921,300)	(6,838,744)	(10,519,779)	
Net capital assets being depreciated	\$ 9,058,787	\$ (822,397)	\$ (4,927,517)	\$ 3,308,873	
Total net capital assets	\$ 9,208,493	\$ (822,397)	\$ (4,927,517)	\$ 3,458,579	

**NOTE 6 - DEFINED BENEFIT PENSION PLAN**

The County's employees who operate the Fund are covered by a defined benefit pension plan. Complete information about the plan can be found in the County's basic financial statements. The County is required to contribute yearly a percentage of each eligible employee's salary as determined by MERS annually. The percentage for the year ended December 31, 2007 was 10%. Annual pension expense allocated to the Fund amounted to approximately \$22,683 for the year ended December 31, 2007.



**NOTE 7 - RISK MANAGEMENT**

The Fund is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Fund participated in the County's risk management program. The County has purchased commercial insurance for worker's compensation and medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Michigan Municipal Risk Management Authority that the Michigan Municipal Risk Management Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

Detailed information concerning estimates of liability for claims is provided in the County's basic financial statements.

**NOTE 8 - CAPITAL LEASE COMMITMENTS**

The Sanitary Landfill entered into lease obligations for equipment as listed below:

2008	<u>\$ 241,992</u>
Total minimum lease payments	241,992
Less amount representing interest	<u>(1,676)</u>
Present value of minimum lease payments	<u>\$ 240,316</u>
% Interest	4%
Payment	\$2,374 to \$4,669.

**NOTE 9 - LETTERS OF CREDIT**

At December 31, 2007 the Landfill had the following letters of credit with

<u>Date Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Expiration</u>
08/01/07	\$ 500,000	1%	08/01/08
09/21/07	1,500,000	1%	09/21/08

There were no outstanding balances on any of these letters of credit as of December 31, 2007.

**NOTE 10 - CONTINGENT LIABILITIES**

In 2002 with 6 years of site life remaining, groundwater contamination was identified beyond the site's RAP monitoring well network to the north; eliminating the possibility of expansion until the site received an approved modified RAP from the MDEQ addressing the new contamination plume. Therefore, the expansion of the facility (planned for 2004/2005) was postponed until delineation and remediation of the contamination plume was completed.

A final RAP has been accepted by the MDEQ in the amount of \$4,040,092. The selected remedy is installation of public water supply (PWS) to impacted residents of Cedar Creek Township north of the landfill. The Department of Public Works (DPW) has submitted a Drinking Water Revolving Fund Project Plan in an effort to determine the DPW's eligibility for a \$16.9 million low-interest loan to cover the cost of the PWS, design costs and preliminary costs associated with planning and investigation for the PWS.

Litigation was initiated against the County in September of 2006 alleging ground water contamination caused by the County Sanitary Landfill. It is premature to give any definitive assessment of any potential loss associated with this case.

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

In 2007, beginning net assets of the Landfill were adjusted for the effects of the following:

Beginning Net Assets	\$ 3,791,248
Cells B & C not recorded as capital assets	1,911,227
In order to conform with depreciation methods used by similar landfill operations, the landfill cells are depreciated based on capacity used.	<u>(6,838,744)</u>
Beginning Net Assets Restated	<u>\$ (1,136,269)</u>

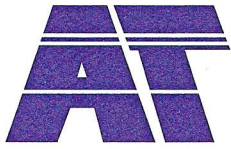
**NOTE 12 - DEFICIT FUND BALANCE**

As of December 31, 2007 the Landfill has deficit net assets in the amount of (1,942,963).

The County plans to reduce the deficit by making an operating transfer of \$250,000 in 2008 and additional transfers up to \$250,000 for the years 2009 through 2011 if necessary. The County is also attempting to amend its solid waste management plan to accept out of county waste in hopes that additional revenues will help reduce the deficit. The County is also considering sale or closure of the landfill.

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Public Works  
Wexford County  
Cadillac, Michigan

We have audited the financial statements of the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan's), internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control.

To the Board of Public Works  
Wexford County

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sanitary Landfill, (an enterprise fund of the County of Wexford, Michigan) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 07-1.

The Sanitary Landfill's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Sanitary Landfill's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 10, 2008

**Section II – Financial Statement Findings**

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STATUTORY COMPLIANCE

**Deficit Fund Balances/Net Assets**

***Finding 07-1***

*Condition:* As of December 31, 2007, a deficit existed in the net assets as follows:

Deficit Net Assets	(1,942,963)
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*Criteria:* Noncompliance with PA 140 of 1971, as Amended, Failure to File Reports and Deficit Elimination Plans.

“For a fiscal year of a unit of local government ending on or after October 1, 1980 or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government the Department of Treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the Department of Treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met.”

The Landfill failed to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition which existed at the end of the previous fiscal year (MCL 141.921(2)). The financial plan is to be filed with the state treasurer.

*Cause:* Change in estimated useful lives of landfill cells.

*Recommendation:* We recommend the Landfill file a Deficit Elimination Plan as required by PA 140 of 1971, as amended. If the deficit has been eliminated subsequent to December 31, 2007, the Landfill should still submit a plan and demonstrate that the plan has already been completed with the desired results.

*Corrective Action Planned:* The County plans to reduce the deficit by making an operating transfer of \$250,000 in 2008 and additional transfers up to \$250,000 for the years 2009 through 2011 if necessary. The County is also attempting to amend its solid waste management plan to accept out of county waste in hopes that additional revenues will help reduce the deficit. The County is also considering sale or closure of the landfill.

- Contact Person(s) Responsible for Correction  
Wendy Moore, County Treasurer